



*crm*

The Foundation of Contemporary  
Marketing Strategy

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ROUTLEDGE



# **Section 1**

## CRM Theory and Development

### **Chapter 2**

#### The History and Development of CRM

## 2.1 The Origins of CRM

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### ▶ Relationship Marketing

- ▶ focuses on maintaining a continuous relationship with customers and building long-term bonds
- ▶ long-term bonds teach companies more about the customer's needs
- ▶ knowledge of a customer's needs allows companies to provide personalized and one-on-one service

### ▶ Marketing Research

- ▶ measures customer satisfaction
- ▶ focuses on market segments as opposed to individuals



## 2.1 The Origins of CRM

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### ▶ B2B Relationships

- ▶ underlying process involves relationships in which two parties are acquainted and through dialogue, associations become stronger and deeper

### ▶ Materials Resource Planning (MRP)

- ▶ focuses on production planning and inventory systems in order to manage manufacturing processes

### ▶ Enterprise Resource Planning (ERP)

- ▶ later version of MRP
- ▶ automates a company's system integration through a software application



## 2.1 The Origins of CRM

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### ▶ SAP

- ▶ company that integrated traditional MRP functions with accounting
- ▶ established customer data warehouses

### ▶ Customer Contact Center

- ▶ telemarketing technology led to development
- ▶ new technologies and evaluation metrics are constantly introduced

### ▶ Sales-Force Automation

- ▶ developed and introduced to improve the capture of customer and prospect information
- ▶ provides real-time information



## 2.1 The Origins of CRM

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- ▶ **Campaign Management Tools**
  - ▶ introduced to contain excessive costs associated with media buys for mass-marketing promotional campaigns
- ▶ **Point Solutions**
  - ▶ CRM systems started with the goal of satisfying the needs of a single department or function
- ▶ **CRM Suite Solutions**
  - ▶ developed to integrate all of the point solutions
  - ▶ must be consistently upgraded



## 2.1 The Origins of CRM

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### ▶ Diffusion of Personal Computers

- ▶ every desktop had the capability to analyze customer data
- ▶ led to company divisions having the ability to
  - ▶ manipulate their own customer data
  - ▶ develop their own marketing programs
  - ▶ assess their own performance (without regard to what headquarters was doing)

### ▶ Analytical CRM

- ▶ SPSS, SAS, and personal computers laid foundation
- ▶ analysts are able to study product movement by multiple variables



## 2.1 The Origins of CRM

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### ▶ Direct-Response Marketing

- ▶ provides identification of individual target prospects, personalized communications and messages, and measures of success
  - ▶ toll-free calling
  - ▶ direct mail

### ▶ Relational Databases

- ▶ allow companies to identify, access, manipulate, and share customer information across departments





## 2.1 The Origins of CRM

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- ▶ **Industrial Marketing**
  - ▶ looks at interaction theories and relationship building
  - ▶ focuses on trust and commitment issues
- ▶ **Service Marketing**
  - ▶ looks at service quality, satisfaction, and the need to maintain one's customer base
- ▶ **4 P's**
  - ▶ product
  - ▶ place
  - ▶ promotion
  - ▶ price



## 2.2 CRM: Why Now?

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- ▶ Increasing Number of High-Quality Competitors and Products
  - ▶ consumers faced an unlimited number of new choices
  - ▶ faced an unlimited number of new, high-quality choices
  - ▶ difficult for companies to stand out
  - ▶ CRM systems were the technique that would enable companies to develop bonds with customers



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- ▶ **Erosion of Traditional Marketing**
  - ▶ “noise” in marketplace makes it difficult to promote products
  - ▶ change in the pace of life
  - ▶ introduction of Internet



## 2.3 Organizations' Experiences with CRM: Success or Failure?

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- ▶ **Success is difficult to determine**
  - ▶ success metrics must be determined in advance of CRM installation and implementation
  - ▶ without performance metrics, CRM does not work and cannot be considered valid
  - ▶ the need for companies to communicate with, and to manage, their customer base is the core of any organization
  - ▶ many companies have gone into CRM efforts without clearly stated goals, making assessment of CRM failure specious



## 2.3 Organizations' Experiences with CRM: Success or Failure?

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- ▶ **Why some systems fail**
  - ▶ Inadequate support from top management
  - ▶ No CRM champion within the company
  - ▶ Inadequate financial commitment
  - ▶ Supply-chain partners not included
  - ▶ No specification regarding who owns data
  - ▶ Poor-quality data
  - ▶ Technology the focus instead of customer
  - ▶ Performance metrics not established
  - ▶ Lack of change-management initiatives
  - ▶ Employees not “sold” on customer-centric focus



## 2.4 Challenges in Implementing CRM and How the Many Barriers Can Be Overcome

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### ► Change

- introducing CRM systems into any organization requires a great deal of change
- will affect the ways that things have been traditionally done
- diverse stakeholder group makes it more difficult for the organization to implement the changes needed for success

### ► Companies can overcome barriers through:

1. communication
2. integration
3. foresight



## 2.4 Challenges in Implementing CRM and How the Many Barriers Can Be Overcome

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- ▶ Organizations must adopt a relationship marketing philosophy across all functional areas
- ▶ Organizations must detail and communicate the benefits of a CRM orientation to all managers and staff
- ▶ Top executive support must be obtained and maintained throughout CRM development
- ▶ Business strategies must drive CRM development rather than the other way around
- ▶ If separate “quick-results” CRM projects are being implemented as opposed to an all-encompassing CRM suite, then these separate projects must be integrated and functionally aligned
- ▶ Organizations must include both IT and business unit managers in CRM start-up teams
- ▶ Customer data must be integrated and maintained
- ▶ Organizations must build a business case and conduct a business analysis before deciding on a CRM solution
- ▶ Success metrics must be developed to assess the effectiveness of the CRM efforts



## 2.5 Developing CRM from a Tactical Perspective

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- ▶ **Checklist for customer service success**
  - ▶ the importance of the customer contact centers (CCC) cannot be underestimated
  - ▶ main customer touch point
  - ▶ CCC personnel are critical links to the CRM process
    - ▶ develop a profiling technique to hire best applicants
    - ▶ provide complete customer profiles and adjust information based on requests
    - ▶ put process blueprints in place
- ▶ **Customer analytics**
  - ▶ use databases more effectively
  - ▶ segment and identify the value of segments
  - ▶ build customer relationships





## 2.5 Developing CRM from a Tactical Perspective

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### ▶ Product Selection

- ▶ organization's needs and CRM goals are drivers
- ▶ CRM products must be selected based on the company's need to provide greater value to its customer base

### ▶ Six-Step Time Line of CRM Activities

1. Establish a strategic plan for CRM system activities quantifying goals and objectives
2. Estimate the impacts on ongoing structure
3. Communicate the relationship marketing philosophy from the top down
4. Build the CRM platform technology to solve the problems faced
5. Organize to expedite the development of the CRM system
6. Establish CRM program metrics to measure effectiveness



## 2.6 Extending the Meaning and Application of CRM

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- ▶ CRM includes more constituencies than merely customers
  - ▶ focus has been extended to include all members who might find it beneficial to collaborate
    - ▶ suppliers
    - ▶ distributors
    - ▶ facilitating agencies
- ▶ Every relationship is dependent upon the quality, relevance, consistency, and value of interactions
- ▶ Everyone in the organization can be a beneficiary of a CRM system

